

**Joint FATF/APG Typologies Workshop 2011**  
**Keynote Address**

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## **1** Greetings

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Distinguished delegates, ladies and gentlemen!

Good morning and welcome to Busan.

I am honored to be in Busan this morning to address the Joint FATF/APG Typologies Workshop 2011.

I would like to speak to you today about the following three topics: first, how the international community had established an effective global AML/CFT system; second, what measure the Korean government had taken to make its own fair share of contributions; and lastly, how to address the AML/CFT compliance gap that exists among nations.

## **2** International AML/CFT

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It is without doubt that considerable efforts put forth by the FATF and the APG have contributed greatly towards a healthy development of the world economy.

And the FATF's Forty-plus-Nine Recommendations are now the most extensive international AML/CFT standard in the world, whereas its mutual evaluation procedure is considered one of the most successful mechanism that promotes international compliance.

OECD, UN and FSB have also adopted the FATF-styled mutual evaluation system and the G20 Leaders Summit has recognized your achievements and endeavours in Cannes last month.

Creating such a successful AML/CFT standard would have been impossible without the endless research on money laundering trends by the delegates sitting here today. Thanks to your time and efforts invested in numerous expert meetings much like this one, the world was able to effectively respond against even the newest money laundering techniques.

However, we must continue to strengthen the global AML/CFT system in order to secure a sustainable economic growth. As technology development makes cross-border money transfer much easier, the world is constantly threatened by transnational money laundering risks.

I believe the recent discussions to amend the FATF Recommendations in preparation for the upcoming 4<sup>th</sup> round of mutual evaluations can be a start of a new international effort.

We, as the members of the FATF, APG and ESAAMLG, have more than enough capacity to play a vital role in averting tax evasions and corruptions and intensifying a nation's fiscal consolidation.

### **3** **Actions by the Korean Government**

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This year, KoFIU celebrates its tenth anniversary.

During the last ten years, the Korean government has taken an all-round approach to institute an AML/CFT system that satisfies the international standard. Today, KoFIU receives twenty to thirty thousand STRs and eight hundred to nine hundred thousand CTRs every month. These reports are categorized depending on their risk levels to determine which reports should be further analyzed in-depth.

Such progress was possible with the generous support of the international community. The joint FATF/APG mutual evaluation on Korea was especially helpful. Conducted for 8 months since November 2008, we were able to identify deficiencies in our AML/CFT system and respond appropriately with an Action Plan.

As part of that Action Plan, amendments to the Prohibition of Financing for Offences of Public Intimidation Act, also known as Korea's counter terrorism act, have been passed by the National Assembly and amendments to the Financial Transaction Reports Act are currently laid before the National Assembly for a plenary review.

Korea is also using an incentive system to further improve its AML/CFT regime. A case in point is Korea's Anti-Money Laundering Awareness Day. First declared in 2007, the fifth Anti-Money Laundering Awareness Day was celebrated just yesterday. Korea is perhaps the only nation in the world to have an annual Anti-Money Laundering Awareness Day.

On this day, various financial institutions and law enforcement agencies are awarded for their anti-money laundering contributions. Such events encourage reporting entities to fully implement the AML/CFT requirements and draw more public attention and support.

## **4** **Global AML/CFT Compliance Gap**

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Distinguished guests!

As the world becomes smaller and more accessible through globalization, money laundering and terrorist financing pose as bigger threats.

One hundred and eighty jurisdictions have agreed to implement the FATF Recommendations, but a large compliance gap exists among these nations. Narrowing this gap is a crucial matter that needs to be addressed.

One solution is to identify countries that do not implement the FATF Recommendations/ and impose sanctions against these non-cooperative states.

The FATF's International Cooperation Review Group (ICRG), which came into being in 2009 as per G20's request, has successfully fulfilled this purpose.

Another solution could be to encourage voluntary implementation of the AML/CFT standards by highlighting the advantages.

In this sense, this week's typologies workshop is meaningful in that the positive aspects of the AML/CFT regime are being highlighted.

Another alternative is using international cooperation.

Benchmarking the AML/CFT regime of another nation that has similar legal and social background may lead to an efficient AML/CFT regime. Korea had also benchmarked nations with advanced AML/CFT systems during the initial stages of implementation.

Such international cooperation may be coordinated by regional bodies such as the APG.

Finally, it is using political support.

The G20 and the UN, for example, should include AML/CFT compliance level as an official agenda and seek political agreement to narrow the compliance gap.

## **5** **Future Directions**

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The financial industry is a lifeline that supports a nation's steady economic growth by appropriately allocating funds to where they are needed, while the industry itself is capable of generating enormous value.

However, the financial system can never be free of scandals and crises, and thus it is always surrounded by those who are seeking to take advantage of the vulnerabilities within the system.

At a time where growing uncertainties are clouding the financial industry, preserving financial integrity has become ever more important.

New and arising money laundering tactics must be detected and we must be prepared with effective countermeasures. Money launderers and terrorists must be thwarted with creative and stringent set of policies.

## **6** **Conclusion**

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All of us are here in this room today with a common goal: to create a world free of money laundering and terrorist financing.

I sincerely hope that this workshop will shine the path forward into realizing this goal and serves in the sustainable development of the world economy by strengthening international AML/CFT cooperation.

Meanwhile, please take your time to experience the dynamic Korean culture and enjoy the generosity of the Korean people during your stay in Busan.

Thank you.